

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 NEA-10 IO-13 PA-01 PRS-01

L-03 H-01 SP-02 USIA-06 AID-05 EB-08 NSC-05

EPG-02 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 DHA-02 AGRE-00 /108 W

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R 250303Z JUL 77

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 2738

C O N F I D E N T I A L SECTION 1 OF 3 MANILA 11362

USADB

PASS TREASURY FOR BRADFORD/ZINMAN

E.O. 11652: DECLAS 12/31/77

TAGS: EAID, EFIN

SUBJECT: ADB LOAN AND TA OPERATIONS FOR SEPTEMBER -
HUMAN RIGHTS

1. FOLLOWING ARE PROJECT DESCRIPTIONS FOR SEVERAL LOAN AND
TA PROJECTS EXPECTED TO COME BEFORE ADB BOARD OF DIRECTORS IN
SEPTEMBER:

2. INDUSTRIAL PROJECTS INSPECTION CENTER, KOREA (LOAN) --

A. PROJECT AIMS AT IMPROVING AND EXPANDING FACILITIES
FOR PROVIDING EXTENSION SERVICES TO INDUSTRY IN AREAS OF
CALIBRATION OF INSTRUMENTS AND GAUGES AND PRODUCT AND
MATERIALS TESTING. IT INVOLVES EXPANSION AND REHABILITATION
OF FACILITIES OF NATIONAL INDUSTRIAL RESEARCH INSTITUTE (NIRI)
LOCATED IN SEOUL AND EIGHT PROVINCIAL INDUSTRIAL TESTING
CENTERS (ITCS) AND ESTABLISHMENT OF A NEW PROVINCIAL
INDUSTRIAL TESTING CENTER.

B. ACCORDING TO AVAILABLE STATISTICAL DATA AND AS
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CONFIRMED BY ADB MISSION'S COMPANY VISITS, SMALL-SCALE
ENTERPRISES PAY SALARIES AND WAGES WHICH ARE BELOW AVERAGE.
AMONG A VARIETY OF RELEVANT FACTORS, ONE SPECIFIC REASON
IS LACK OF CAPITAL. SMALL-SCALE COMPANIES, THEREFORE,
GENERALLY APPLY MORE LABOR INTENSIVE TECHNOLOGIES,
WHICH GIVE CRUCIAL IMPORTANCE TO LABOR COSTS. HENCE,
ECONOMIC SURVIVAL DEPENDS ON EMPLOYMENT OF LOW-COST LABOR.

THESE ARE SOCIAL GROUPS OUTSIDE MODERN SECTOR SUCH AS PERSONS WITH LITTLE FORMAL EDUCATION AND PROFESSIONAL SPECIALIZATION, WITH NO INDUSTRIAL EXPERIENCE, MIGRANTS FROM RURAL AREAS, UNEMPLOYED, ETC. ACCORDINGLY, THESE PERSONS HAVE LOW INCOME CHARACTERISTICS AND ARE "NEEDY PEOPLE" IN CONTEXT OF KOREAN ECONOMIC DEVELOPMENT SITUATION.

C. BESIDES THIS SOCIAL INCOME DISTRIBUTION EFFECT, THERE IS ALSO A REGIONAL DIMENSION. BECAUSE OF THE BEFORE-MENTIONED CHARACTERISTICS, LOW-COST LABOR WILL BE AVAILABLE IN AREAS WHERE THERE IS YET ONLY LIMITED ECONOMIC ACTIVITY. THESE ARE RURAL OR PERIPHERICAL URBAN LOCATIONS. ALSO, RENT DIFFERENTIALS IN URBAN AND RURAL PLACES REINFORCE SUCH A DECENTRALIZING TENDENCY. THUS, SMALL-SCALE COMPANIES HELP TO DISPERSE ECONOMIC ACTIVITIES AND HEREBY CONTRIBUTE TO IMPROVEMENTS IN REGIONAL INCOME DISTRIBUTION.

D. IN SUMMARY, SOCIAL AND REGIONAL INCOME DISTRIBUTION EFFECTS CAN BE STATED AS FOLLOWS: 71 PERCENT (WEIGHTED AVERAGE) OF KOREA-SCALE INDUSTRIES ARE BEING SERVED BY QUALITY CONTROL SERVICES OF NIRI AND ITCS. ACCORDING TO 1974 REPORT ON MINING AND MANUFACTURING SURVEY, THERE ARE 20,357 PERSONS. ON OTHER HAND, 24 PERCENT OF TOTAL ECONOMIC CAPITAL COSTS WILL BE INVESTED IN THE DIFFERENT PROVINCIAL QUALITY CONTROL INSTITUTES AND THUS CONSTITUTE THE POSITIVE IMPACT ON REGIONAL INCOME

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DISTRIBUTION.

3. LIVESTOCK (PIG & POULTRY) PROJECT, BURMA (LOAN) --

A. PROJECT WILL INCREASE SUPPLY OF PROTEIN THROUGH BREEDING AND FATTENING OF PIG AND POULTRY IN VARIOUS PARTS OF COUNTRY. APPRAISAL MISSION RETURNED FROM BURMA ONLY LAST 15 JULY 1977. IT IS PRELIMINARY ESTIMATED THAT THERE WOULD BE ABOUT 6,000 FARMER/BENEFICIARIES FROM PROJECT AND TOTAL OF ABOUT 30,000 PEOPLE WOULD BE DIRECTLY BENEFITTED BY PROJECT. INCREMENTAL INCREASE IN INCOME IS ESTIMATED TO BE OF THE ORDER OF \$200 TO \$1000 PER FARMER DEPENDING ON THE SIZE OF THE PROJECT ENGAGED IN.

4. ROAD IMPROVEMENT PROJECT, PHILIPPINES (LOAN) --

A. ROAD IMPROVEMENT COMPONENT OF PROJECT, CONSISTING OF IMPROVEMENT OF 328 KM. OF TWO MAIN ROADS AND 190 KM. OF 12 MINOR ROADS, IS DESIGNED TO MEET CURRENT AND

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PASS TREASURY FOR BRADFORD/ZINMAN

PROSPECTIVE GROWING TRANSPORT REQUIREMENTS EFFICIENTLY
WITHIN FOUR AGRICULTURAL PROVINCES IN MAIN ISLAND OF
LUZON. THESE ROADS WILL PROVIDE IMPROVED TRANSPORT
SERVICES FOR AN ESTIMATED POPULATION OF 1.5 MILLION (1975),
OR FOR ABOUT 250,000 HOUSEHOLDS, 85 PERCENT OF WHICH LIVE
IN RURAL AND SEMI-URBAN AREAS. TOTAL BENEFITS DUE TO THE
COMPONENT IN OPENING YEAR (1982) ARE ESTIMATED AT ABOUT
50 MILLION PESOS OR \$7 MILLION EQUIVALENT, IN 1976
PRICES. ABOUT 20 PERCENT OF THESE BENEFITS WILL BE IN
FORM OF ROAD MAINTENANCE COST SAVINGS, WHILE REMAINDER
WILL ACCRUE TO VEHICLE OWNERS/OPERATORS DUE TO REDUCTION
IN VEHICLE OPERATING COSTS.

B. TECHNICAL ASSISTANCE COMPONENT OF PROJECT IS
DESIGNED TO INVESTIGATE FEASIBILITY OF IMPROVING 1070 K..
OF MAJOR AND MINOR ROADS (AND SUBSEQUENT ENGINEERING
OF FEAFIBLE ROADS) IN ECONOMICALLY DEPRESSED AREAS OF
COUNTRY, MOSTLY IN ISOLATED SMALL ISLANDS. AN ESTIMATED
POPULATION OF ABOUT 2 MILLION LIVING IN THESE AREAS IS
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PREDOMINANTLY RURAL AND SUBSISTENCE-ORIENTED. PER CAPITA
RURAL INCOMES ARE SUBSTANTIALLY LOWER THAN COMPARABLE
INCOMES IN MORE DEVELOPED AREAS OF LUZON AND MINDANAO.

IT IS EXPECTED THAT ROAD IMPROVEMENTS, BY LOWERING TRANSPORT COSTS, WOULD HELP TO CREATE A FAVORABLE ENVIRONMENT FOR EMERGENCE OF A MARKET RESPONSIVE ECONOMY AND BETTER INTEGRATION WITH NATIONAL ECONOMY.

5. ROAD IMPROVEMENT PROJECT II, KOREA (LOAN) --

A. PROJECT, WHICH COMPRISES 18 ROAD SECTIONS, TOTALING ABOUT 520 KM., FORMS PART OF GOVERNMENT'S LONG-TERM ROAD IMPROVEMENT PROGRAM AIMED AT PROVIDING PAVED ROADS BETWEEN ALL IMPORTANT CITIES, INDUSTRIAL CENTERS AND AGRICULTURAL AREAS. PROPOSED ROADS ARE LOCATED IN FIVE PROVINCES OF SOUTHERN REGION WHICH ARE MAINLY AGRICULTURAL AND WHERE PER CAPITA INCOME WAS AROUND \$400 COMPARED WITH NATIONAL AVERAGE OF \$532 IN 1975. ROAD IMPROVEMENTS UNDER PROJECT WILL LARGELY BENEFIT RURAL COMMUNITIES IN REGION. APPROXIMATELY 1.25 MILLION PEOPLE, OR 240,000 HOUSEHOLDS, LIVED WITHIN RURAL AND SEMI-URBAN AREAS UNDER INFLUENCE OF PROJECT ROADS IN 1975; NUMBER IS EXPECTED TO INCREASE TO 1.34 MILLION PEOPLE BY 1980, OPENING YEAR OF PROJECT. AVERAGE CULTIVATED AREA PER FARM HOUSEHOLD WAS ABOUT 0.94 HECTARE IN 1975.

B. FOURTH FIVE-YEAR ECONOMIC DEVELOPMENT PLAN (1977-1981) STIPULATES VARIOUS IMPROVEMENTS IN RURAL ECONOMY, INCLUDING PROMOTION OF IMPROVED FARMING PRACTICES AND INCREASE IN AGRICULTURAL PRODUCTION. UNDER PLAN, AVERAGE FARM HOUSEHOLD INCOME IS PROJECTED TO INCREASE FROM 783,000 WON (US\$1,800.00) IN 1975 TO 1,400,000 WON (US\$2,886.60) AT 1975 PRICES IN 1981. PROPOSED ROAD
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IMPROVEMENTS WILL SUPPORT RURAL DEVELOPMENT PROGRAMS AND WILL THUS HELP IMPROVE LIVING STANDARDS OF RURAL PEOPLE, WHO WILL ALSO BENEFIT FROM BETTER QUALITY OF SERVICE AND REDUCED FARES AND FREIGHT RATES. TRANSPORT COST SAVINGS DUE TO PROJECT IN OPENING YEAR (1980) ARE ESTIMATED AT ABOUT 4,400 MILLION WON OR \$9 MILLION, IN 1977 PRICES. CONSIDERING THAT OBSERVED TRAFFIC MIX ON PROJECT ROADS HAS A PREPONDERANT PROPORTION OF TRUCKS AND BUSES, AND PRIVATE AUTOMOBILES ACCOUNT FOR LESS THAN 10 PERCENT OF ROAD PASSENGER-KILOMETERS, PUBLIC TRANSPORT AND COMMERCIAL VEHICLE USERS WILL BE MAIN BENEFICIARIES OF PROPOSED ROAD IMPROVEMENTS.

6. CHITWAN VALLEY DEVELOPMENT PROJECT, NEPAL (SUPPLEMENTARY LOAN) --

A. PROJECT, AS ORIGINALLY APPROVED IN DECEMBER 1972, WILL FACILITATE INTEGRATED AGRICULTURAL DEVELOPMENT IN

REGION COVERING SOIL CONSERVATION, CROPPING PATTERNS, ANIMAL HUSBANDRY, PRODUCT PROCESSING, MARKETING, AGRICULTURAL RESEARCH AND EXTENSION, AND FARM ORGANIZATION AND INSTITUTIONS. PROPOSED FINANCING OF COST OVERRUN WILL ENABLE GOVERNMENT TO MAINTAIN SCOPE OF PROJECT AT 11,000 HA. - AS ORIGINALLY PLANNED. PROJECT IS THE MAJOR COMPONENT OF THE REGIONAL DEVELOPMENT OF CHITWAN VALLEY LOCATED IN SOUTH-CENTRAL NEPAL.

B. DIRECT BENEFICIARIES OF PROJECT WILL BE ABOUT 6,520 FARM FAMILIES (OR ABOUT 32,600 INDIVIDUALS ASSUMING 5 PERSONS PER FAMILY) WITH AVERAGE FARM HOLDINGS

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OF 1.7 HA. NET FARM INCOMES ARE EXPECTED TO INCREASE ON AVERAGE FROM ABOUT \$479 EQUIVALENT PER FAMILY (\$96 PER CAPITAL) WITHOUT PROJECT TO \$987 EQUIVALENT PER FAMILY (\$197 PER CAPITA) UNDER FULL DEVELOPMENT WITH PROJECT.

7. KANKAI IRRIGATION PROJECT, NEPAL (SUPPLEMENTARY LOAN) --

A. IN DECEMBER 1971 LOAN PROJECT WAS APPROVED TO BENEFIT FARM FAMILIES LOCATED IN TERAI REGION OF EASTERN NEPAL, THROUGH INTRODUCTION OF AN AGRICULTURAL DEVELOPMENT PROGRAM CENTERED ON CONSTRUCTION OF IRRIGATION WORKS TO BRING YEAR-ROUND WATER TO 5,000 HA. OF UNDEVELOPED FARMLAND. SUPPLEMENTARY LOAN WOULD MEET COST OVERRUN FOR

EXISTING PROJECT NOW UNDER CONSTRUCTION AND WOULD INCREASE
IRRIGATED AREA BY 3,000 HA. BY MODIFICATION OF MAIN CANAL,
DE-SILTING BASIN, DIVERSION WEIR AND INTAKE.

B. DIRECT BENEFICIARIES OF PROJECT WILL BE ABOUT
3,300 FARM FAMILIES (OR ABOUT 16,500 INDIVIDUALS ASSUMING
5 PERSONS PER FAMILY) WITH AVERAGE FARM HOLDINGS OF 2.4
HA. NET FARM INCOMES ARE EXPECTED TO INCREASE FROM ABOUT
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\$337 EQUIVALENT PER FAMILY (\$67 PER CAIPTAL) WITHOUT PROJECT
TO \$1,053 EQUIVAENT PER FAMRE (\$211 PER CAPITA) UNDER FULL
DEVELOPMENT WITH PROJECT.

8. MYANMA ECONOMIC BANK, BURMA (TA) --

A. PURPOSE OF PROPOSED TA IS TO BUILD UP INSTITUTION'S
CAPACITY AND CAPABILITY TO EVALUATE INDUSTRIAL PROJECTS
THROUGH TRAINING OF STAFF. NATURE OF PROJECT DOES NOT
ALLOW AN ESTIMATE OF LIKELY IMPACT OF PROJECT
EITHER IN TERMS OF INCOME OR OF NUMBER OF BENEFICIARIES.
MEB IS EXPECTED TO EVOLVE, AS A RESULT OF BANK'S TA, INTO
A DEVELOPMENT FINANCIAL INSTITUTION (THE ONLY ONE IN
BURMA); ITS APPRAISAL CAPABILITIES WILL BE UPGRADED AND,
AS A RESULT, A BETTER ALLOCATION AND UTILIZATION OF
RESOURCES IS TO BE EXPECTED. MEB WILL, FOR NEAR FUTURE
ARE LEAST, CONCENTRATE ITS OPERATIONS TOWARDS
ASSISTING COOPERATIVES AND SMALL-SCALE INDUSTRIES (BOTH
IN PUBLIC AN PRIVATE SECTOR).
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Message Attributes

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Disposition Date: 22 May 2009
Disposition Event:
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TAGS: EAID, EFIN, KS, ADB
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